



DETERMINATION OF MERGER NOTIFICATION M/12/024 - Stobart / Aer Arann

Section 21 of the Competition Act 2002

Proposed acquisition by Stobart Group Limited of Aer Arann

Dated 12 December 2012

Introduction

1. On 21 November 2012, in accordance with section 18 of the Competition Act 2002 (the "Act"), the Competition Authority ("the Authority") received a notification of a proposed transaction whereby Stobart Group Limited ("Stobart"), through its wholly owned subsidiary SAI 1 Limited ("SAI 1"), would acquire sole control of Aer Arann.

The Undertakings Involved

Acquirer

2. Stobart, headquartered in Carlisle, UK, is a public company listed on the London Stock Exchange. Stobart is active in the UK in various sectors including road haulage, warehousing, property development, ports, and airports.¹ Within the UK Stobart Air, a division of Stobart, operates airport facilities at Southend and Carlisle. Stobart neither owns nor operates airport facilities within the State.
3. Stobart states that approximately 90% of its worldwide turnover is derived from road haulage. Stobart also states that its turnover within the State is derived entirely from road haulage.²
4. For the year ended 29 February 2012, Stobart's worldwide turnover was approximately €637.5 million, of which approximately €40.8 million was generated in the State.³

Target

5. Aer Arann, headquartered in Dublin, Ireland, is a licensed Air Transport provider providing passenger services within Ireland,⁴ between Ireland and the United Kingdom and between Ireland and France.

¹ For more information on Stobart see <<http://www.stobartgroup.co.uk>>.

² Correspondence dated 11 December 2012.

³ Calculated using the average annual ECB exchange rate for March 2011 to February 2012 of €1 = £0.8657.

⁴ The Dublin Kerry route is a Public Service Obligation (PSO) route operated under contract with the Department of Transport.

6. As of January 2010, Aer Arann and Aer Lingus⁵ have operated a franchise agreement. Under this agreement Aer Arann operates services branded as "Aer Lingus Regional" for which Aer Lingus receives a franchise fee.
7. For the year ended 31 December 2011, Aer Arann's worldwide turnover was approximately €94.1 million, of which approximately €46.8 million was generated in the State.

Third Party Submissions

8. One submission was received from a third party, which did not raise any competition concerns about the proposed transaction.

Rationale for Transaction

9. The parties state:

"The commercial objective is the acquisition of a controlling interest in Aer Arann,"⁶ and

"It is intended by SAI 1 that it will facilitate further investment in the Aer Arann Group by institutional investors, amongst others."

Analysis

10. There is no overlap in the activities of Stobart and Aer Arann within the State or elsewhere. Stobart is principally active in road haulage whereas Aer Arann is active in air transport services.
11. The proposed transaction does not give rise to any vertical competition concerns within the State.
12. In light of the above, the Authority concludes that the proposed transaction will not raise competition concerns in any market for goods or services in the State.

⁵ For more information on Aer Lingus see <<http://corporate.aerlingus.com>>.

⁶ Notification Form page 2.

⁷ Correspondence with Stobart dated 30 November 2012.

DETERMINATION

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed transaction whereby Stobart Group Limited, through its wholly owned subsidiary SAI 1 Limited, would acquire sole control of Aer Arann, will not be to substantially lessen competition in any market for goods or services in the State and, accordingly, the acquisition may be put into effect.

For the Competition Authority

Stephen Calkins
Member of the Competition Authority
Director, Mergers Division